

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
February 19, 2013**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:31 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Alan Gordon for John Chiang, State Controller
Pedro Reyes for Ana J. Matosantos, Director of Finance

Staff Present: Michael Paparian, Executive Director
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Redway asked if there were any questions or comments concerning the January 15, 2013, meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Mr. Reyes moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Paparian recognized Sherri Kay Wahl, Deputy Executive Director, for her many years of loyal state service. He also acknowledged and thanked Margie Gliatto, Executive Assistant, for her 30 plus years of state service including the last 10 years at CPCFA. The state is fortunate to have employees who choose to make a career of helping our government serve the people and businesses of California.

Mr. Paparian reported that 2013 is going to be another busy year for CPCFA. Each program is working on new initiatives. The Bond Program staff is working on plans to assure that potential users of tax-exempt bonds are aware of the availability and benefits of the bonds. Staff will be meeting its financial advisor to discuss outreach efforts. Sean Spear, Executive Director of the California Debt Limit Allocation Committee (CDLAC), has also been helpful

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in coming up with new ideas and discussing bonds with potential applicants. Staff met with the Public Utilities Commission (PUC) to discuss how bonds could benefit some of the regulated water companies. There will be future discussions with the PUC. Doreen Smith, Bond Program Manager, and her staff are working on further ideas.

The California Recycle Underutilized Sites (CALReUSE) Program will be reinvented this year. A program evaluation and recommendations related to new directions for the Brownfield Site Assessment Program are being finalized. Jason L. Bradley, CALReUSE Program Manager, will be discussing the proposed recommendations with other agencies and stakeholders and will be bringing an item to the Board for discussion and action.

CPCFA is launching the commercial energy efficiency Loan Participation Program (LPP). This program will use federal funds to create a pool of funds for initial lending for small businesses to install energy and environmental upgrades. Ms. Wahl is in charge of this effort and will be releasing a Request for Proposal (RFP) to interested lenders very soon.

The California Capital Access Program (CalCAP) has also launched its new Collateral Support Program (CSP). Nancee Trombley, CalCAP Program Manager, and Emily Jarrett, Analyst, have created the program designed to use \$35 million in federal funds to assist borrowers by providing cash collateral for qualified loans. Staff has been working with the Governor's Office for Business and Economic Development (GoBiz), among others, on strategies to effectively use this program to assist small businesses. Staff expects to enroll the first loans soon.

With all of these new and expanded efforts, management wants to be sure there is adequate staffing. CPCFA is planning to bring on a staffing expert to assess whether staff is utilizing its existing positions effectively and if there needs to be any adjustments in staffing levels.

Mr. Paparian continued to report that the Bond Program is looking at some possible regulation changes. Approximately two years ago, staff adopted a regulation to encourage equipment financing using bonds. This regulation is about to expire and staff is expecting to come back to the Board next month with a recommendation that the current end date be extended for a few more years. Staff is also going to explore whether any adjustments to the fee structure may be warranted.

Finally, Mr. Paparian stated that he will be going to Washington DC in early March 2013 to attend a meeting of state officials and others to discuss innovative financing mechanisms that can help in the energy area. He will be discussing how CPCFA has used tax-exempt bonds to assist anaerobic digester projects. Mr. Paparian will also be discussing how the new LPP and CSP will benefit energy projects.

Mr. Reyes inquired as to whether CPCFA has regular meetings with other Executive Officers of the Boards, Commissions and Authority's (BCAs) in the Treasurer's Office to bring them up to speed on what new programs have been put in place as well as the sharing of ideas for new programs.

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Mr. Paparian replied that the Executive Directors gather occasionally to discuss various items, and he does maintain contact with the BCAs that overlap with CPCFA. He also keeps in close contact with the other authorities that have overlapping interests.

Mr. Reyes inquired about the upcoming recommendation to extend the end date for the equipment regulations for the Bond Program. He asked why not just eliminate the end date instead of requesting a two year extension.

Mr. Paparian replied that the upcoming recommendation includes some very specific items, including fees for all of the participants in that area if the program is utilized. There was no interest during the first two years; however, there is a possibility that some projects might benefit from the program, hence the extension request. An agenda item will be forthcoming.

Ms. Redway asked if there were any further comments from the Board, or the public. There were none.

4. BUSINESS ITEMS

A. APPROVAL OF AMENDED POST-ISSUANCE COMPLIANCE PROCEDURES

Presented by: John Weir, Associate Treasury Program Officer

At its July 26, 2011 Board meeting, CPCFA formally adopted Post-Issuance Tax Compliance Procedures. Since that time, the Internal Revenue Service (IRS) released an updated publication regarding tax compliance procedures for conduit issuers. The purpose of this action is to align CPCFA's existing published procedures with the IRS procedures. The IRS publication serves to assist conduit issuers in developing tax compliance policies and procedures to ensure that tax-exempt bonds remain in compliance with all post-issuance related federal tax requirements and maintain the tax-exempt status of the bonds.

Staff amended CPCFA's Post-Issuance Compliance Procedures accordingly, and requested Board approval of the amended procedures.

Ms. Redway asked if there were any questions or comments from the Board or public.

Mr. Reyes asked what the downside would be of not complying with IRS changes.

Mr. Weir stated that any violation detected would cause the IRS to measure the compliance efforts of CPCFA. Any noncompliance violation would be judged more harshly.

Mr. Reyes then asked what the penalty would be for noncompliance.

Mr. Weir responded that the potential for tax compliance would be put in jeopardy and the individual bond holders would suffer.

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Ms. Redway asked if there were any further comments from the Board or public. There were none.

Ms. Redway asked if there was a motion.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

B. REQUEST TO APPROVE INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

Deanna Hamelin, Associate Treasury Program Officer, and Mark Holmstedt of Westhoff, Cone & Holmstedt introduced themselves.

Mr. Gordon then moved approval of item 4.B.1. Request to approve an initial resolution reflecting official intent to issue solid waste revenue bonds in the amount of \$8,905,000 for Garden City Sanitation, Inc. and/or its affiliates to finance the retrofitting of existing collection vehicles, construction of a compressed natural gas (CNG) fueling station and related site improvements, as well as the acquisition of waste collection and waste transfer equipment to support the collection and disposal of the City of San Jose's residential waste.

There was a second.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

2) CR&R INCORPORATED

Presented by Andrea Escobar, Analyst and Mark Holmstedt of Westhoff, Cone & Holmstedt

Staff requested approval of an Initial Resolution for an amount not to exceed \$22,000,000 to finance the construction and installation of an anaerobic digester and related equipment. The project will provide waste diversion, air quality, recycling benefits, building expansion, a CNG fueling station and other related equipment. The CNG generated by the anaerobic digester will be used to fuel a portion of its waste collection vehicles. The project may also include the acquisition of rolling stock, drop boxes, bins, carts and containers.

Ms. Redway asked if there were any questions or comments from the Board or public.

Mr. Reyes inquired as to how the \$22,000,000 amount was determined.

Ms. Escobar replied that the amount was determined by estimated costs of the construction and installation of all of the items.

Mr. Gordon asked who the Ronnenberg Family Trust is.

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Mr. Holmstedt, Investment Banker for CR&R, stated that Cliff Ronnenberg and his son, David, share ownership through the Trust of CR&R Incorporated.

Ms. Redway asked what portion of the fuel will be used to supply the waste collection vehicles through the CNG that is generated. How big is the waste site?

Mr. Holmstedt responded that the final study has not been done on the actual size of the CNG facility. An answer to that question may be provided when the final resolution comes before the Board.

Ms. Redway asked about how much fuel a waste company could produce and use.

Mr. Holmstedt stated that it depends upon the process, the moisture content of the material, and the size of the routes. An anaerobic digester facility in South San Francisco fuels about 20% of its fleet. Another anaerobic digester facility in the works has the potential to fuel close to 100% of its vehicles.

Mr. Gordon asked if there is any move by electric vehicle manufacturers to promote the usage of electric vehicles in these waste facilities.

Mr. Holmstedt replied that he has not seen that yet. The industry is trying to get to a zero waste standard. The digester now takes the organic matter and puts it to a good use. The focus now is on how the individual waste companies use waste that is collected.

Mr. Gordon inquired if there will be a push and pull between using waste to create gas as opposed to cover for landfills.

Mr. Holmstedt stated that it could be. There is excitement in the industry about the anaerobic digester technology.

Mr. Reyes asked if staff has any sense of how much of the \$22,000,000 is used for construction versus how much is used for equipment.

Mr. Paparian replied that at the initial resolution phase, it is a ballpark figure.

Mr. Holmstedt commented that the initial application project description is used for federal tax purposes, and it allows the company to go out and spend money that can be refinanced later with tax-exempt debt. If a component is missed in the initial application, and then purchased, the company cannot finance it with tax-exempt debt.

Ms. Redway asked if there were any further comments from the Board or public. There were none.

Ms. Redway asked if there was a motion.

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Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

- C.** Mr. Reyes moved approval of item 4.C.1. Request to approve an amendment and reinstatement of an initial resolution to increase the dollar amount to an amount not to exceed \$100,000,000 to reflect increased project costs, to finance land acquisition, and the expansion of the Material Recovery Facility (MRF) to issue solid waste revenue bonds for Waste Resources, Inc. and/or its affiliates.

There was a second.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

Mr. Holmstedt commented that when this item was originally proposed, the dollar amount was \$50,000,000. Permitting issues, site issues and the scope of the project increased. If this item had not been brought back before the Board, these items could not be financed with tax-exempt debt.

5. PUBLIC COMMENT

Ms. Redway asked if there were any comments from the public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 10:57 a.m.

Respectfully submitted,

Michael Paparian
Executive Director